

Harbor Mid Cap Value Fund

LSV Asset Management

Subadvisor Since 09/30/2004

Total Net Assets - All Classes \$280,739,040
Equity Assets: 99.16%
Cash & Other Assets Less Liabilities: 0.84%
Benchmark Name: Russell Midcap® Value Index

Portfolio Managers



Josef Lakonishok, Ph.D.



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Greg Sleight



Guy Lakonishok, CFA

Investment Philosophy

The Fund invests primarily in equity securities, common stocks, of mid cap companies that the portfolio manager believes are undervalued in the marketplace at the time of purchase. The portfolio manager's investment strategy uses a quantitative model to evaluate and recommend companies based on the following indicators: fundamental undervaluation, such as low price-to-cash flow ratio or low price-to-earnings ratio, past negative market sentiment, recent momentum, such as high recent stock price performance and control of incremental risk relative to the benchmark index.

CHARACTERISTICS & ALLOCATION

As of 06/30/2023

Portfolio Characteristics			Economic Sectors		
	Portfolio	Benchmark		Portfolio %	Benchmark %
Number of Holdings	148	699	Financials	19.85	16.17
Wtd Avg Market Cap (\$Mil)	13,271.10	21,060.60	Industrials	15.84	18.81
Median Market Cap (\$Mil)	6,990.00	9,814.00	Consumer Discretionary	14.60	9.40
Price/Book Ratio	1.87	2.57	Information Technology	10.58	9.73
Adjusted Trailing P/E Ratio	11.00	20.10	Health Care	8.04	7.54
% EPS Growth - Past 3 Yr	28.50	19.10	Materials	8.03	7.83
Est 3-5 Yr EPS Growth Rate (%)	13.20	9.70	Consumer Staples	7.07	4.20
Return on Equity (%)	19.81	12.56	Real Estate	5.65	10.47
Beta vs. Fund Benchmark	1.06		Energy	3.82	5.01
Forecasted P/E Ratio	9.80	17.70	Utilities	3.52	7.55
			Communication Services	2.16	3.43

Top 10 Holdings			Top 10 Industries		
	Portfolio %	Benchmark %		Portfolio %	Benchmark %
HP Inc.	1.62	0.30	Machinery	7.47	6.17
Hartford Financial Serv	1.60	0.31	Insurance	6.49	6.04
Jabil Inc.	1.59	0.07	Electronic Equipment	5.19	2.43
Snap-on Incorporated	1.55	0.21	Household Durables	4.96	2.30
Cummins Inc.	1.54	0.49	Health Care Providers	4.69	1.56
AGCO Corporation	1.53	0.12	Specialty Retail	3.86	1.34
Molson Coors Beverage C	1.50	0.16	Oil Gas & Consumables	3.82	4.04
Kroger Co.	1.47	0.43	Capital Markets	3.68	4.26
Cardinal Health Inc.	1.41	0.17	Chemicals	3.48	3.91
Owens Corning	1.36	0.16	Consumer Finance	3.24	0.98
Total	15.17	2.42	Total	46.88	33.03

Market Capitalization		
		Portfolio %
Large	Above 25.0B	15.86
	10.0B - 25.0B	25.44
Mid	5.0B - 10.0B	31.24
	1.0B - 5.0B	23.30
Small	0.0 - 1.0B	4.15



Average Annual Returns

Share Class	Ticker	CUSIP	3 Months	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Net Expense Ratio %	Gross Expense Ratio %
Institutional	HAMVX	411511835	5.36%	6.25%	15.29%	19.52%	5.20%	8.12%	7.49%	03/01/02	0.85	0.89
Investor	HIMVX	411511736	5.26%	6.06%	14.88%	19.09%	4.82%	7.72%	8.34%	11/01/02	1.21	1.25
Retirement	HNMVX	411512460	5.40%	6.34%	15.41%	19.63%	5.29%	8.18%	7.52%	03/01/16	0.77	0.81
Russell Midcap® Value Index			3.86%	5.23%	10.50%	15.04%	6.84%	9.03%	9.30%	03/01/02		

MANAGER COMMENTARY

As of 06/30/2023

"As a result of the run-up in the largest stocks, the top 10 stocks in the U.S. are also significantly more expensive today than the bottom 490 companies."

LSV Asset Management

Market in Review

U.S. equities continued to advance during the second quarter of 2023, led by a small group of mega-cap Information Technology stocks. Despite ongoing turmoil in the banking sector, uncertainty surrounding the U.S. debt ceiling, and the trajectory of interest rates from the Federal Reserve, the market rallied. The S&P 500 was up 8.7% for the quarter. Small-cap stocks underperformed large-caps during the quarter as the Russell 2000® Index was up 5.2%, while the Russell 1000® Index returned 8.6%. Value stocks (as measured by the Russell indexes) continued to underperform growth across all market cap ranges during the quarter.

Among mid-cap stocks, the Russell Midcap® Value Index was up 3.9%, while the Russell 1000® Growth Index returned 6.2%. Nine of the 11 broad S&P 500 sectors posted gains for the quarter, with Information Technology, Consumer Discretionary, and Communication Services stocks outperforming over the period, while the Consumer Staples, Energy, and Utilities sectors lagged.

Stocks advanced despite concerns early in the period. Ultimately, a debt ceiling compromise coupled with fading inflation pressures and resilient economic data lifted equities higher during the quarter, most notably in June. Data released during the quarter proved to be better than expected, as new home sales, durable goods orders, auto sales, and consumer sentiment all exceeded expectations, outpacing market estimates. Additionally, first quarter Gross Domestic Product ("GDP") was revised upward to an expansion of 2%, significantly higher than previous estimates of 1.3% growth. The labor market remains extremely tight as the highly anticipated rise in unemployment has yet to materialize. The unemployment rate in May continued to hold steady at historically low levels, providing optimism that inflation may subside without a meaningful rise in unemployment. Finally, enthusiasm surrounding artificial intelligence lifted mega-cap Information Technology-related stocks higher. The tech-heavy Nasdaq Composite Index is up nearly 32% thus far year to date, its best start to the year since 1983.

Retirement Class shares commenced operations on March 1, 2016. The performance attributed to the Retirement Class shares prior to that date is that of the Institutional Class shares. Performance prior to March 1, 2016 has not been adjusted to reflect the lower expenses of Retirement Class shares. During this period, Retirement Class shares would have had returns similar to, but somewhat higher than, Institutional Class shares due to the fact that Retirement Class shares represent interests in the same portfolio as Institutional Class shares but are subject to lower expenses.

Expense ratio information is as of the Fund's current prospectus, as supplemented. Gross expenses are the Fund's total annual operating expenses. The net expense ratios for this fund are subject to a contractual management fee waiver and/or expense limitation agreement, excluding interest expense and acquired fund fees and expenses (if any), through 02/29/2024.

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.



Portfolio Performance

The Harbor Mid Cap Value Fund (Institutional Class, "Fund") outperformed its benchmark, the Russell Midcap[®] Value Index, during the second quarter. The Fund was up 5.36% while the Russell Midcap[®] Value Index returned 3.86%. Value stocks continued to lag growth stocks among mid-caps during the second quarter. The poor relative performance of value stocks was a headwind during the quarter and had a negative impact on relative results given the Fund's deep value bias.

We take limited sector and industry bets, looking to add value primarily from bottom-up stock selection. During the second quarter, stock selection added value, while sector selection was mixed. While the Fund benefitted from an underweight allocation to Utilities, this was offset by our underweight allocation to Industrials, the best-performing sector of the quarter. While stock selection detracted in the Energy sector, it was more than offset by strong selection among Health Care, Information Technology, Financials, and Industrial stocks. At the industry level, our overweight allocation to homebuilders — combined with strong stock selection among homebuilders — added value. Within Industrials, favorable selection among building products and trading companies also added value.

From a geographic perspective, stock selection in Belgium and Spain drove positive contributions to returns, while stock selection in Australia and Singapore and allocation effects in Japan were the biggest detractors to returns for the Fund during the quarter.

Contributors & Detractors

Stock selection within the Industrial sector added value during the quarter, including top contributors Owens Corning, Triton International, and Allison Transmission Holdings. Given the run-up in these stocks, we trimmed Owens Corning and Allison Transmission Holdings and sold the Triton International position. The homebuilders held in the Fund were up over 30% on average during the quarter, led by PulteGroup and Toll Brothers. While maintaining overweight positions in both PulteGroup and Toll Brothers, we trimmed both positions during the quarter. In the Information Technology sector, Jabil, Vishay Intertechnology, Amkor Technology, and Arrow Electronics all contributed to the outperformance during the quarter.

Our overweight allocation to and poor selection among oil and gas refiners detracted during the quarter. Long-time Fund holdings Valero Energy, Marathon Petroleum, and HF Sinclair all struggled during the quarter. While refiners, in general, remain highly ranked on the model, we trimmed our positions in HF Sinclair and Marathon Petroleum. Other detractors during the quarter included Foot Locker in the Consumer Discretionary sector, Jazz Pharmaceuticals, regional banks KeyCorp and Citizens Financial, and underweight allocations to cruise ship operators Royal Caribbean Group and Carnival Corporation.

Buys & Sells

We initiated a position in Centene Corp during the second quarter. Centene is a managed health care company that provides services to government-sponsored and commercial health care programs, focusing on under- and uninsured individuals. The stock ranks highly on earnings and cash flow measures, particularly on our measures of long-term free cash flow. While the company does not pay dividends, Centene has been aggressively buying back shares, which we view positively. While price momentum has been relatively weak over the past 12 months, recent price momentum has been improving. We also consider fundamental momentum, which has been strong — particularly, improvements in margins and sales and earnings before interest, taxes, depreciation, and amortization growth.

We sold our position in J.M. Smucker Company in the Consumer Staples sector. J.M. Smucker is a long-term holding in the Fund. We began buying the stock in 2017 and added to the position in 2019. The stock has become less attractive over recent months on several valuation metrics, particularly forward earnings and cash flow metrics. While the stock pays a 2.8% dividend, the payout ratio is relatively high, which can indicate a potential cut in the dividend. Recent price momentum has been relatively poor, also weighing on the stock ranking.

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.



Outlook

A short list of expensive growth stocks continued to drive the market during the second quarter. NVIDIA joined the \$1 trillion market cap club during the quarter, and Apple became the first public company to trade above \$3 trillion. As the market caps of the largest companies continue to grow, the weight of the top 10 stocks in the U.S. market (of the largest 500) has reached historic levels. As a result of the run-up in the largest stocks, the top 10 stocks in the U.S. are also significantly more expensive today than the bottom 490 companies. This valuation difference presents a contrarian, value investor like LSV with an attractive set of good companies that are not expensive from which to choose. The Fund currently trades at a 40% discount to the value benchmark on several valuation metrics, and we have been able to find good quality companies across sectors and industries. While we can offer little in the way of near-term guidance, we remain optimistic that the extremely attractive deep-value positioning of the Fund has the potential to be rewarded over time.

QUARTERLY ATTRIBUTION

As of 06/30/2023

Best & Worst Performers

Best Performers	Average Weight %	Return %
Owens Corning	1.58	36.22
PulteGroup Inc.	1.32	33.58
Toll Brothers Inc.	1.24	32.19
Triton International Ltd. Class A	0.36	31.64
Thor Industries Inc.	0.46	30.68

Worst Performers	Average Weight %	Return %
Foot Locker Inc.	0.85	-31.01
KeyCorp	0.49	-24.67
Capri Holdings Limited	0.37	-23.64
Methode Electronics Inc.	0.32	-23.36
UGI Corporation	0.86	-21.36

Contributors & Detractors

Greatest Contributors	Return %	Contribution to Return %
Owens Corning	36.22	0.52
PulteGroup Inc.	33.58	0.41
Molson Coors Beverage Company Class B	28.24	0.40
Toll Brothers Inc.	32.19	0.38
Triton International Ltd. Class A	31.64	0.36
Total		2.06

Greatest Detractors	Return %	Contribution to Return %
Foot Locker Inc.	-31.01	-0.34
Jazz Pharmaceuticals Public Limited Comp	-15.28	-0.24
UGI Corporation	-21.36	-0.23
Marathon Petroleum Corporation	-12.91	-0.16
KeyCorp	-24.67	-0.15
Total		-1.12

Performance data shown represents past performance and is no guarantee of future results. Past performance is net of management fees and expenses and reflects reinvested dividends and distributions. Past performance reflects the beneficial effect of any expense waivers or reimbursements, without which returns would have been lower. Investment returns and principal value will fluctuate and when redeemed may be worth more or less than their original cost. Returns for periods less than one year are not annualized. Current performance may be higher or lower and is available through the most recent month end at harborcapital.com or by calling 800-422-1050.



Quarterly Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	5.72	3.86	1.86
Currency Contribution	0.00	0.00	0.00
Total Return	5.72	3.86	1.86

Sector Attribution

	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Information Technology	10.09	8.40	1.69	8.39	2.45	5.94	0.84	0.29	-0.04	0.57	0.53
Financials	20.47	16.98	3.50	5.33	2.75	2.58	1.20	0.46	-0.03	0.53	0.50
Industrials	14.09	16.93	-2.84	15.49	11.06	4.42	2.19	1.93	-0.19	0.59	0.39
Health Care	8.00	7.46	0.54	7.02	2.04	4.97	0.54	0.14	-0.04	0.39	0.35
Utilities	4.03	8.87	-4.84	-1.16	-2.15	0.99	-0.07	-0.23	0.27	0.03	0.30
Consumer Discretionary	14.74	10.12	4.62	7.71	7.89	-0.17	1.09	0.74	0.19	-0.03	0.16
Consumer Staples	7.61	4.52	3.09	2.15	-0.29	2.44	0.14	-0.03	-0.11	0.19	0.07
Materials	8.09	7.65	0.44	0.81	-0.19	0.99	0.03	-0.03	-0.02	0.09	0.07
Communication Services	2.20	3.25	-1.05	-1.95	0.23	-2.18	-0.05	0.01	0.04	-0.05	-0.01
Real Estate	5.61	10.85	-5.24	3.37	3.83	-0.46	0.22	0.41	0.00	-0.02	-0.02
Energy	4.38	4.99	-0.61	-7.85	3.09	-10.94	-0.43	0.15	-0.01	-0.51	-0.52
Total	100.00	100.00	0.00	5.72	3.86	1.86	5.72	3.86	0.10	1.75	1.86

Trailing 1 Year Attribution:

Harbor Mid Cap Value Fund vs Russell Midcap® Value

Performance

	Portfolio	Benchmark	Active
Return Ex Currency	16.74	10.51	6.23
Currency Contribution	0.00	0.00	0.00
Total Return	16.74	10.51	6.23

Sector Attribution

	Average Weight			Total Return			Contribution to Return		Attribution Analysis		
	Port. Avg. Wgt.	Bench. Avg. Wgt.	Variation in Avg. Wgt.	Port. Total Return	Bench. Total Return	Variation in Total Return	Port. Contribution To Return	Bench. Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	14.56	9.77	4.79	33.35	24.18	9.17	4.36	2.16	0.66	1.17	1.83
Information Technology	10.46	8.14	2.32	26.77	15.72	11.06	2.78	1.31	0.16	1.05	1.20
Financials	20.51	18.30	2.21	6.39	0.66	5.73	1.65	0.16	-0.20	1.31	1.11
Industrials	12.44	15.90	-3.46	51.54	34.51	17.03	5.67	4.99	-0.71	1.58	0.88
Health Care	7.32	7.24	0.09	12.10	6.72	5.38	1.10	0.61	-0.07	0.43	0.35
Utilities	3.98	8.82	-4.84	-5.71	0.67	-6.38	-0.32	-0.09	0.51	-0.37	0.14
Energy	4.70	5.18	-0.48	12.61	11.29	1.33	0.82	0.63	0.04	0.07	0.12
Materials	8.37	7.65	0.71	11.28	11.34	-0.06	1.04	0.91	0.03	0.05	0.08
Real Estate	6.42	11.29	-4.86	-9.54	-2.25	-7.29	-0.67	-0.30	0.62	-0.54	0.08
Consumer Staples	8.04	4.39	3.64	5.65	1.65	4.01	0.53	0.11	-0.34	0.33	-0.01
Communication Services	2.43	3.33	-0.89	-8.67	0.19	-8.86	-0.24	0.03	0.08	-0.23	-0.16
Total	100.00	100.00	0.00	16.74	10.51	6.23	16.74	10.51	1.39	4.84	6.23

Past performance is not a guarantee of future results.

Risks

There is no guarantee that the investment objective of the Fund will be achieved. Stock markets are volatile and equity values can decline significantly in response to adverse issuer, political, regulatory, market and economic conditions. The value of securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. In addition, any model may contain flaws or the model may not perform as anticipated. Stocks of mid cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies.

Benchmarks

The Russell Midcap® Value Index is an unmanaged index generally representative of the U.S. market for medium capitalization value stocks. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Russell Midcap® Value Index and Russell® are trademarks of Frank Russell Company.

Disclosures

All holdings-related data is provided by FactSet. Because FactSet relies on external sources for its data, that data may differ slightly from actual values maintained by Harbor Funds.

Due to the security valuation procedures of the Fund and intra-day trading activity not included in the FactSet calculations, the actual returns may vary. From time to time the cash return in the portfolio may appear distorted based on the way FactSet's attribution calculation methodology addresses delayed settlements.

Beta is a rolling three year, unless the Fund has a track record of less than three years, in which case it is a rolling one year.

Best and Worst Performers sections reflect stocks in the portfolio for the quarter with an average weight of 0.25% or greater.

Views expressed herein are drawn from commentary provided to Harbor by the subadvisor and may not be reflective of their current opinions or future actions, are subject to change without prior notice, and should not be considered investment advice.

This information should not be considered as a recommendation to purchase or sell a particular security. The weightings, holdings, industries, sectors, countries, and returns mentioned may change at any time and may not represent current or future investments.

As a result of changing market conditions, total net asset levels, expenses and other statistics may change at any time and may differ from those shown.

The total amount shown for sector, industries, or country holdings may be greater than 100% because of the inclusion of derivatives and the collateral securities supporting those instruments.

Sector allocations are determined using the Global Industry Classification Standard (GICS), which is a service of Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P).

Investors should carefully consider the investment objectives, risks, charges and expenses of a fund before investing. To obtain a summary prospectus or prospectus for this and other information, visit harborcapital.com or call 800-422-1050. Read it carefully before investing.

LSV Asset Management is an independent subadvisor to the Harbor Mid Cap Value Fund.

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Attribution Disclosures

Linked Performance by Sectors data is produced from FactSet using data supplied by State Street Bank and Trust Company.

Active Currency Contribution is the Currency Contribution of the portfolio minus the Currency Contribution of the benchmark.

Allocation Effect is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark.

Average Weight is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values.

Contribution to Return is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.

Currency Contribution is Total Return in USD subtracting out the Local Returns.

Local Returns are the Total Return of the portfolio or benchmark using the local currency.

Selection Effect is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group.

Total Effect is the sum of Allocation Effect and Selection Effect. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different.

Total Return is the price change of a security or group including dividends accrued over the report period (or the in-portfolio return) which includes only the time period that each security was in the portfolio.

Definitions

Beta is a measure of systematic risk, or the sensitivity of a fund to movements in the benchmark. A beta of 1 implies that the expected movement of a fund's return would match that of the benchmark used to measure beta.

Median Market Cap: The median size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Weighted Average Market Capitalization: The average size of the companies in a portfolio or index as measured by the market value of outstanding shares.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share.

The Est 3-5 Yr EPS Growth (%) is the estimated growth of earnings per share over the next 3-5 years, using pre-calculated mean long-term EPS growth rate estimates, which are calculated using each individual broker's methodology, from FactSet, First Call, I/B/E/S Consensus, and Reuters. Forward looking estimates may not come to pass.

% EPS Growth - Past 3 Year: Earnings per share refers to the bottom-line measure of a company's profitability defined as net income divided by the number of outstanding shares.

The Adjusted Trailing P/E (price-to-earnings) Ratio is the closing stock price divided by the sum of the last 12 months actual EPS.

Forecasted P/E Ratio: a measure of the P/E (price-to-earnings) ratio using forecasted earnings for the P/E calculation.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Price/Book (price-to-book) Ratio evaluates a firm's market value relative to its book value.

All P/E, ROE and P/B statistics are calculated as weighted medians.